

III. The Examiner has failed to establish the prima facie obviousness of claims 1-27 (claims 2-27 depend from claim 1). All of the limitations of claim 1 are not taught or suggested by Shepherd. In particular, Shepherd does not teach or suggest a system or method for formulation, initial public or private offering, and secondary market trading of risk management contract bundles, with each contract bundle comprising at least two contracts. Consequently, the Examiner's rejection of claims 1-27 should be withdrawn and the claims allowed.

### **Rejections Under 35 U.S.C. § 102**

#### **I. No Element of Applicants' Independent Claim 36 is Found, Either Expressly or Inherently, in Shepherd.**

Applicants' independent claim 36 recites:

In a computer-based contract trading system comprising:  
a user interface front end, said front end providing interface to at least a new instrument application, an order placement application, a bundle sale redemption and expiration application, a clearing application, an administrative application, and a surveillance application;  
an order management and processing system, said order management and processing system including a validation subsystem, an order routing subsystem, and an order matching subsystem;  
a contract expiration management system for recording ownership of traded contracts, for notifying contract owners of the expiration thereof, and for communicating with a settlement bank directing the bank to transfer funds in accordance with the settlement value of said contracts;  
and  
a surveillance system.

"A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." Verdegaal Bros. v. Union Oil Co. of California, 814 F.2d 628, 631, 2 USPQ2d 1051, 1053 (Fed. Cir. 1987).

Applicants' independent claim 36 comprises four elements (and their respective limitations): (i) a user interface front end; (ii) an order management and processing system; (iii) a contract expiration system; and (iv) a surveillance system. The Examiner asserts Shepherd teaches each and every one of these elements. In fact, none of the elements of claim 36 are shown in Shepherd.

1. **Shepherd Does Not Teach or Suggest Applicants' User Interface Front End.**

Shepherd teaches "hardware products" as "stakeholder input means," but does not teach Applicants' user interface. Shepherd also fails to teach or suggest several of the applications in the user interface, including a new instrument application, an order placement application, a bundle sale redemption and expiration application, a clearing application, an administrative application and a surveillance application.

The Examiner copies Applicants' claim language to assert that Shepherd teaches a user interface front end providing interface to all of the recited applications, citing Shepard Col. 4, Lines 17-23. In fact, Shepherd merely describes "at least one stakeholder input means by which ordering stakeholders can input" certain contract data. Id. This falls far short of teaching or suggesting Applicants' user interface front end.

Shepherd's "at least one stakeholder input means" (70) is shown in FIG. 2:

U.S. Patent

Oct. 19, 1999

Sheet 2 of 101

5,970,479

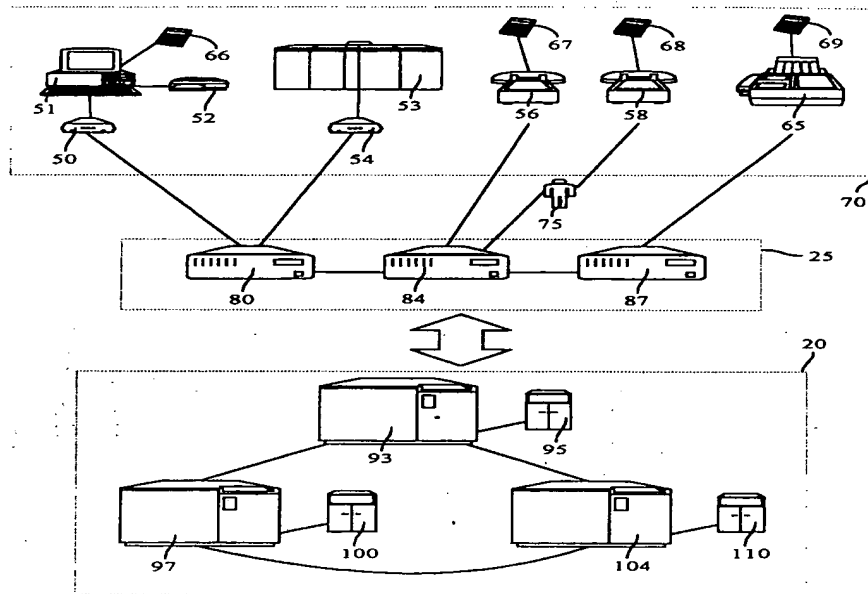


Fig. 2

In connection with FIG. 2, Shepherd teaches “hardware products” as “stakeholder input means.” “A large range of communications hardware products are supported, and collectively are referred to as the stakeholder input/output devices 70. These include personal computers 51 and associated printers 52, which have communications connection with the communications controller 80 by means of a modem 50.” Shepherd Col. 7, Line 66 - Col. 8, Line 5. There is no description of any interface on input/output devices 70, or of any applications contained in any interface.

In contrast, Applicants teach a “user interface front end” without reference to any specific hardware:

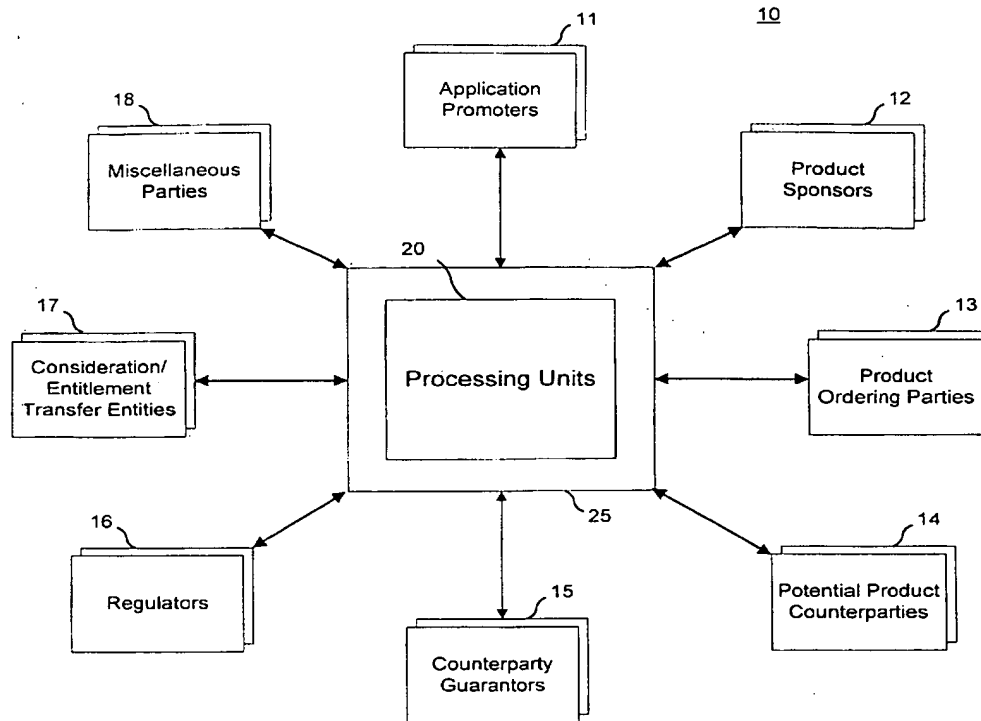
[I]t is a still further object of the present invention to provide a trading platform together with all necessary support and brokerage services, including user-friendly Web interface, newswire, settlement, clearance, money transfer, and accounting management features. Applicants’ Paragraph 0032.

\*\*\*

The computer-network based platform is preferably implemented as an internet-accessible web site, having an interactive interface and being configured to enable anyone who accesses the platform to apply for a new account and to view data and news related to activity within markets within the platform. The interface is configured to enable registered users to log in, place trades, and perform related maintenance activities related to their account.

Applicants’ Paragraph 0036.

Additionally, Shepherd teaches “a number of types of stakeholder” including the “ordering stakeholders,” (13) as evidenced in Shepherd FIG. 1:



According to Shepherd: “FIG. 1 [] indicates that there are a number of types of stakeholder, and a number of individual stakeholders within each stakeholder type” as shown. Shepherd Col. 7, Lines 19-21. There is no indication of what the interface is, if any, for each of these types of stakeholders, or whether it contains all of the applications recited in claim 36. Shepherd only states that a stakeholder may input “contract data representing at least one offered contract . . . specifying a future time of maturity, entitlements due at maturity for the range of outcomes, and a consideration due to a counter-party stakeholder”. Shepherd, Col. 4, Lines 17-23. If this teaches or suggests that the interface contains any specific application at all (which Applicants do not concede), it clearly does not teach or suggest a bundle sale redemption application, a clearing application, an administrative application, or a surveillance application.

For these reasons, Shepherd does not teach or suggest Applicants’ user interface front end.

**2. Shepherd Does Not Teach or Suggest Applicants' Order Management and Processing System.**

Shepherd's "data processing means, linked with the data storage means, for pricing and matching contracts" lacks the ability to validate orders, route valid orders, prioritize orders, record actions in an audit trail, ensure accurate clearing, communicate with the settlement bank or the clearing application, provide settlement instructions and periodically reconcile settlement bank records. Nevertheless, the Examiner copies Applicants' claim language to assert that Shepherd teaches an order management and processing system containing the recited subsystems, citing Shepherd Col. 4, Lines 34-42.

In fact, Col. 4, Lines 34-42 of Shepherd merely describes "data processing means, linked with the data storage means, for pricing and matching contracts from said contract data and said registering data, said pricing including selecting the registering data corresponding to the time of maturity for each predetermined phenomenon and calculating a counter-consideration derived from said entitlements, and said matching including comparing said consideration and said counter-consideration to match an offered contract with at least one of said counter-party stakeholders."

The Examiner appears to suggest that this "data processing means, linked with the data storage means, for pricing and matching contracts" suggests or teaches Applicants' order management and processing system. There is nothing in Shepherd to support this contention.

Applicants' "Order Management and Processing System 370 (OMPS)" is shown in Applicants' FIG. 7:

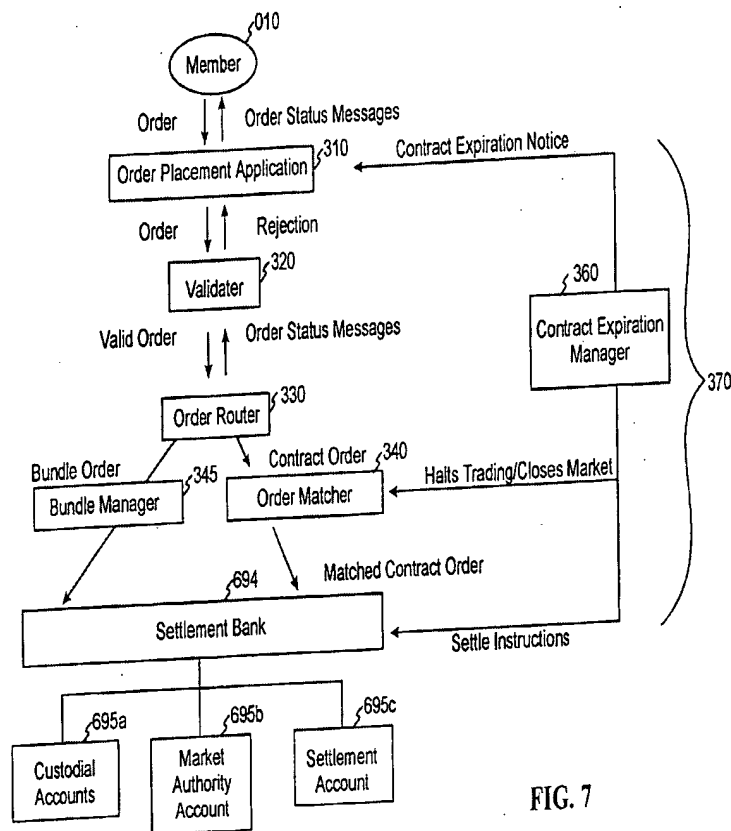


FIG. 7

Applicants expressly state in connection with FIG. 7:

the Order Placement Application 310, the Validator 320, the Order Router 330, the Order Matcher 340, the Settlement Bank 694, and the Contract Expiration Manager 360 comprises an integrated system, the "Order Management and Processing System 370 (OMPS)." The OMPS 370 is the engine supporting the front end application and provides all the automated functions necessary for the execution of valid orders and the settlement and payout of all contracts. The OMPS 370 accepts orders from the interface system and returns status information as the order is processed throughout the system. This processing system consists of the following functions: validating orders, routing valid orders to the appropriate order matching engine, prioritizing orders, and matching orders as appropriate.

Every action taken on an order will be recorded to provide a clear audit trail of system activity and to ensure accurate clearing of all transactions. At different points in the processing, the OMPS 370 will communicate with the settlement bank or the clearing application, providing settlement instructions and periodically reconciling settlement bank records with OMPS records. In the preferred embodiment, the OMPS 370 is maintained on a UNIX platform and all logged records will be time stamped accurately to the millisecond (the maximum precision currently available within UNIX).

Applicants' Paragraph 0471.

Among other things, Shepherd's data processing means lacks the ability to validate orders, route valid orders, prioritize orders, record actions in an audit trail, ensure accurate clearing, communicate with the settlement bank or the clearing application, provide settlement instructions and periodically reconcile settlement bank records. Consequently, Shepherd's data processing means does not teach or suggest Applicants' order management and processing system.

**3. Shepherd Does Not Teach or Suggest Applicants' Contract Expiration Management System.**

Shepherd's "method of exchanging obligations as between parties" lacks Applicants' ability to notify all holders of a contract, halt trading by freezing an Order Matcher for a particular contract, remove an expired contract from a trader's account, and notify a Settlement Bank to credit the account of the holder of each contract. Consequently, Shepherd's "method of exchanging obligations as between parties" does not teach or suggest Applicants' "contract expiration management system."

Again, the Examiner merely copies Applicants' claim language to assert in the Office Action that Shepherd teaches Applicants' contract expiration management system citing Shepherd Col. 5, Line 64 to Col. 6, Line 23.

In fact, Col. 5, Line 64 to Col. 6, Line 23 of Shepherd states:

Therefore, in accordance with a further aspect of the invention, there is disclosed a method of exchanging obligations as between parties, each party holding a credit record and a debit record with an exchange institution, the credit records and debit records for exchange of predetermined obligations, the method comprising the steps of:

- (a) creating a shadow credit record and debit record for each party to be held independently from the exchange institutions by a supervisory institution;
- (b) obtaining from each exchange institution a start-of-day balance for each shadow credit record and debit record;
- (c) for every transaction resulting in an exchange obligation, the supervisory institution adjusts each respective party's shadow credit record or debit record, allowing only those transactions that do not result in the value of the shadow debit record being less than the value of the shadow credit record at any time, each said adjustment taking place in chronological order; and
- (d) at the end-of-day, the supervisory institution instructing ones of the exchange institutions to exchange credits or debits to the credit record and debit record of the respective parties in accordance with the adjustments of the said permitted transactions, the credits and debits being irrevocable, time invariant obligations placed on the exchange institutions.

The Examiner appears to suggest that Shepherd's "method of exchanging obligations as between parties" teaches or suggests Applicants' "contract expiration management system." Again, this language fails to teach or suggest Applicants' contract expiration management system.

Applicants' Contract Expiration Manager 360 is shown in Applicants' FIG. 7 (above). Applicants expressly state in connection with FIG. 7:

At a time determined by contractually prespecified rules, contracts expire. When a contract expires, either it is worth \$10 or \$0 depending on the realization of the outcome of the underlying event. The Contract Expiration Manager 360 expires contracts and determines the final liquidation value. Upon expiry, the Contract Expiration Manager 360 notifies all holders of the contract. It halts trading by freezing the Order Matcher 340 for that particular contract. If the contract expires worthless, the Contract Expiration Manager 360 removes the expired contract from traders accounts. If the contract expires worth \$10, the Contract Expiration Manager 360 notifies the Settlement Bank 694 to credit the account of the holder of each contract which is worth \$10. Applicants' Paragraph 0481.

Among other things, Shepherd's "method of exchanging obligations as between parties" lacks the ability to notify all holders of a contract, halt trading by freezing an Order Matcher for a particular contract, remove an expired contract from a trader's account, and notify a Settlement Bank to credit the account of the holder of each contract which is worth \$10. Consequently, Shepherd's "method of exchanging obligations as



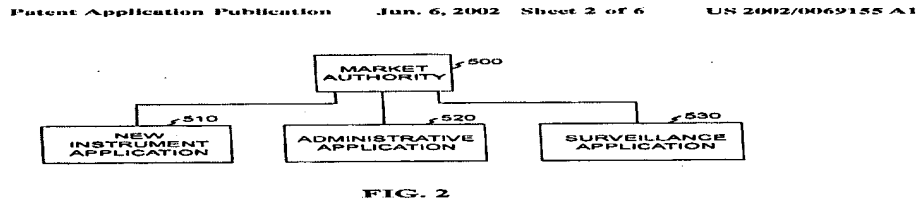
between parties” does not teach or suggest Applicants’ “contract expiration management system.”

#### 4. Shepherd Does Not Teach or Suggest Applicants’ Surveillance System.

There is no evidence that Shepherd’s “stakeholders [who] have executive roles in administration” have the ability of Applicants’ surveillance system. In fact, the word “surveillance” does not appear in Shepherd (let alone a system for surveillance).

The Examiner copies Applicants’ claim language to assert that Shepherd teaches: “[a] surveillance system,” citing Shepherd Col. 5, Lines 56-60. In fact, all Shepherd states is that “[o]ther stakeholders have executive roles in administration, guaranteeing the performance of buyers and seller, regulation, supervision and so on. In this way the number and types of buyers and sellers that can be considered in pricing and matching offered contracts can be controlled.” Col. 5, Lines 56-60. The Examiner appears to suggest that this teaches or suggests Applicants’ “surveillance system.” This is incorrect.

Applicants’ Surveillance Application 530 is shown in Applicants’ FIG. 2:



Applicants expressly state in connection with FIG. 2:

The Surveillance Application 530 will provide compliance staff with view-only access to all current and historic transaction data input into the exchange by members, from order placement to message posting on the electronic bulletin boards. The system will be programmable to draw attention to specific events of interest to the compliance staff. The system allows the staff to investigate specific transactions and trade patterns and

will permit the staff to view member identification information along with order information. More specifically, the Surveillance Application 530 will allow the staff to:

- view the complete depth of the market for all contracts (i.e., the listing of all pending bid and offer orders);
- view the details of all transactions including counter-party identities, which are hidden from market participants;
- view all electronic bulletin board postings;
- define and track a set of alerts that will highlight the occurrence of specific events and transaction patterns; and
- investigate any alerts or activity that has potential to violate rules of the exchange.

Applicants' Paragraphs 0447-0481.

In the first instance, in the present application, the surveillance system is part of the contract trading system of claims 36 to 38. There is no structure described in Shepherd which allows the "other stakeholders" to carry out the recited administrative function. Nor is there anything in the claims related to a surveillance or monitoring function. Accordingly, there is nothing in Shepherd to teach or suggest making the surveillance function part of the system itself, as opposed to merely allowing "other stakeholders," i.e., other users of the system, to review the operation of the system in some undefined way.

In addition, other than the brief mention cited by the Examiner, Shepherd does not describe what abilities the "other stakeholders" have, and thus fails to teach or suggest that the system of Shepherd allows any of the abilities recited in the present application as cited above. In the absence of both a structure contained within the system itself and the abilities described in the present application, Shepherd's "[o]ther stakeholders" do not teach or suggest Applicants' "surveillance system."

In summary, Applicants' independent claim 36 and dependent claims 37 and 38 comprise four elements: (i) a user interface front end; (ii) an order management and processing system; (iii) a contract expiration system; and (iv) a surveillance system. For the reasons cited herein, Shepherd's "at least one stakeholder input means" does not teach or suggest Applicants' "user interface front end," Shepherd's "data processing means, linked with the data storage means, for pricing and matching contracts" does not teach or suggest Applicants' "order management and processing system," Shepherd's "method of

exchanging obligations as between parties” does not teach or suggest Applicants’ “a contract expiration management system,” and Shepherd’s “[o]ther stakeholders” do not teach or suggest Applicants’ “surveillance system.”

**Shepherd’s Stakeholders Who Have “Executive Roles in Administration” Do Not Teach or Suggest Applicants’ Administrative Application in Claim 37.**

As a dependent claim, by definition, Applicants’ claim 37 incorporates each and every element of Applicants’ independent claim 36. Because no element in Applicants’ independent claim 36 is found, either expressly or inherently, in Shepherd, Applicants’ dependent claim 37 distinguishes over the Shepherd reference for this reason alone and should be allowed. Nevertheless, Shepherd also fails to teach or suggest Applicants’ administrative application.

Applicants’ dependent claim 37 recites:

37. A computer-based contract trading system in accordance with claim 36, wherein said administrative application includes:

- means for undertaking limited inquiry into all market transactions;
- means for suspending and resuming trading in particular contracts or the market as a whole;
- means for suspending, resuming or terminating account privileges;
- means for suspending contract payouts;
- means for amending and overriding calculated settlement prices and redistributing funds; and
- means for distributing announcements to market participants.

Without providing any evidentiary and/or documentary support (e.g. citations where the purported disclosures in Shepherd may be found), the Examiner summarily states that Shepherd purportedly discloses all of these functions. Again, however, not only is there no described or claimed structure within the system for performing any such function, but Shepherd also fails to even recognize most of these functions as appropriate tasks for the “other stakeholders.”

While the Applicants appreciate the time and effort the Examiner has expended in preparing the present Office Action, the Applicants nevertheless encountered difficulty in responding to the Examiner's 35 U.S.C. § 102 rejections in that the Examiner utilizes broad, general language (e.g., "Shepherd discloses that certain participants in the system have executive roles") as evidencing anticipation of the Applicants' claims instead of particularly pointing out where each particular element of the Applicants' claimed invention is recited in Shepherd. Pursuant to 35 U.S.C. § 132 (a), whenever a claim for a patent is rejected, the Examiner is required to provide the applicant with the reasons for such a rejection, with "such information and references as may be useful in judging of the propriety of continuing the prosecution of the application." A rejection violates 35 U.S.C. § 132 when it "is so uninformative that it prevents the applicant from recognizing and seeking to counter the grounds for rejection." Chester v. Miller, 906 F.2d 1574, 1578 (Fed. Cir. 1990). Here, summary conclusions about what the Examiner contends a particular reference shows without any underlying citations makes the Examiner's rejection "so uninformative that it prevents the applicant from recognizing and seeking to counter the grounds for rejection."

As noted by the Court of Custom and Patent Appeal in In re Hoch, "[i]t is important for an examiner to properly communicate the basis for a rejection so that the issues can be identified early and the applicant can be given fair opportunity to reply." 428 F.2d 1351, 1342 n.3 (CCPA (1970)). Further, Section 706.07 of the MPEP provides that "[b]efore final rejection is in order a clear issue should be developed between the examiner and the applicant." To do so allows bringing "the prosecution to as speedy conclusion as possible and at the same time to deal justly by both the applicant and the public, the invention as disclosed and claimed should be thoroughly searched in the first action and the references fully applied." Applicants believe such generalized rejections "defeat attaining the goal of reaching a clearly defined issue for an early termination." MPEP § 706.07. The Applicants respectfully request the Examiner work with the Applicants as prosecution advances to develop clearly defined issues so that claims to patentable subject matter can be attained. Such an exchange would comport with MPEP § 706.07 to provide "the applicant [with] a full and fair hearing" whereby "a clear issue between applicant and examiner may be developed."

**Shepherd's "Other Stakeholders" Do Not Teach or Suggest Applicants' Surveillance Application in Claim 38.**

As another dependent claim, by definition, Applicants' claim 38 also incorporates each and every element of Applicants' independent claim 36. Again, because no element in Applicants' independent claim 36 is found, either expressly or inherently, in Shepherd, Applicants' dependent claim 38 distinguishes patentability over the Shepherd reference for this reason alone and should be allowed. Nevertheless, Shepherd also fails to teach or suggest Applicants' surveillance application.

Applicants' dependent claim 38 recites:

38. A computer-based contract trading system in accordance with claim 37, wherein said surveillance system includes:

means for viewing pending bid and offer orders;

means for viewing the details of all transactions;

means for viewing all electronic bulletin board postings;

means for defining and tracking alerts for specific events including transaction patterns; and

means for investigating alerts.

Again, without providing any evidentiary and/or documentary support (e.g. citations where the purported disclosures in Shepherd may be found), the Examiner summarily states that Shepherd purportedly discloses all of these elements. And again, Shepherd fails to describe or claim any structure within the system for performing these functions, and fails to even mention most of these functions as within the purview of the "other stakeholders" and their "administrative functions."

To the extent the Examiner has suggested that a surveillance system is inherent in Shepherd, MPEP §2112 provides that, "[t]o establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not

sufficient.'" There is no extrinsic (or intrinsic) evidence to suggest a surveillance system is present in the "certain participants in the system [that] have [the] executive roles" disclosed in Shepherd.

The Examiner's rejection of dependent claim 38 also fails to comply with the Manual of Patent Examining Procedure ("MPEP") and established case law. Again, the Applicants respectfully request the Examiner work with the Applicants as prosecution advances to develop clearly defined issues so that claims to patentable subject matter can be attained. Such an exchange would comport with MPEP § 706.07 to provide "the applicant [with] a full and fair hearing" whereby "a clear issue between applicant and examiner may be developed."

### **Rejections Under 35 U.S.C. § 103**

#### **II. Claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, and 99 are Improperly Rejected under 35 U.S.C. § 103 as Being Unpatentable over Shepherd in View of the Purported and Unsubstantiated Knowledge of One of Ordinary Skill in the Art.**

There is no basis to support a rejection of Applicants' claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, 99, and 103 under 35 U.S.C. §103. These claims are improperly rejected under 35 U.S.C. § 103 as being unpatentable over Shepherd in view of the purported and unsubstantiated knowledge of one of ordinary skill in the art. Side-stepping the requirements of MPEP §2143.03 for all claim limitations to be taught or suggested by the prior art, the Examiner appears to rely on personal experience or opinion to constitute the prior art. Respectfully, such reliance on personal knowledge by the Examiner is improper and the rejection should be withdrawn.

In the first instance, as discussed above, Applicants believe that the Examiner has misconstrued the teachings of Shepherd, giving Shepherd far greater credence for disclosing elements of the present invention than is actually warranted. In addition, however, the Examiner has improperly assumed that it would be obvious to include additional elements in the system of the present invention, or in the system of Shepherd.

Pursuant to MPEP §2144.03A, "[i]t is never appropriate to rely solely on 'common knowledge' in the art without evidentiary support in the record, as the principal

evidence upon which a rejection was based.” (Internal citations omitted) (emphasis added). In the present case, the Examiner has furnished no evidentiary support.

Moreover, even if the Examiner was to provide “Official Notice” of those unsupported assertions representing the Examiner’s personal opinion, under MPEP § 2144.03, “[o]fficial notice unsupported by documentary evidence should only be taken by the examiner where the facts asserted to be well-known, or to be common knowledge in the art are capable of instant and unquestionable demonstration as being well-known.” “In limited circumstances, it is appropriate for an examiner to take official notice of facts not in the record or to rely on ‘common knowledge’ in making a rejection, however such rejections should be judiciously applied.” Finally, “[a]s noted by the court in In re Ahlert, the notice of facts beyond the record which may be taken by the examiner must be ‘capable of such instant and unquestionable demonstration as to defy dispute.’” (Emphasis added).

In the present case, the Examiner’s personal opinion has been used to reject approximately 80 of the Applicants’ 101 claims. This blatantly defies the requirements for “judiciously applied” use under “limited circumstances” wherein “the notice of facts beyond the record which may be taken by the examiner must be ‘capable of such instant and unquestionable demonstration as to defy dispute.’”

Specifically, the Examiner has stated that the following were well known in the relevant art when the present application was filed:

1. Transaction fees in financial matching systems (claim 1);
2. Experts have long brokered futures contracts in exchange for fees (claim 1);
3. The continuation on the Internet of experts that have long brokered futures contracts in exchange for fees (claim 1);
4. The use of the Internet as a means to electronically access prospective traders (claim 2);
5. A world-wide-web interface (claim 4);
6. Financial matching systems that allow users to view any and all potential transactions (claim 5);

7. Contracts involving a shared phenomenon but having a different expiratory date (claim 11);
8. Participants in futures markets that have traded interest rate futures to hedge against rising or falling interest rates (claim 12);
9. Contracts regarding the same phenomenon with different expiratory dates that are sold at different time periods and wherein one is sold at substantially the same time as the expiration of the other (claim 13);
10. Selling any financial instrument on margin (claim 15);
11. Providing customers via borrowing with broader hedging opportunities (claim 15);
12. Knowing the identity of a prospective trading partner in financial instrument markets (claim 17);
13. Often times futures contracts are relevant only to a certain sector and therefore the contracts are only extended to these parties (claim 18);
14. There has to be criteria that parties have to meet in order to be included in a group (claim 19);
15. Introducing new futures contracts to the market as a split of an existing futures contract, an aggregate liquidation value of the new futures contract equaling the liquidation value of the existing futures contracts (claim 20);
16. Concurrent with the step of introducing new futures contracts to the market as a split of an existing futures contract, retiring said existing futures contract (claim 21);
17. The process of combining two existing futures contracts into an aggregated singular contract as well as including in an electronic market (claim 22);
18. Outstanding separate contracts can be bought and grouped together (claim 23);



19. Trading platforms for financial instruments allow for non-trading observers (claim 27);
20. A contract trading system including a communication interface, a plurality of process modules for formation, sale, resale and settlement of contracts and contract bundles, each of said contract bundles containing at least two contracts (claim 29);
21. Further system claims would have been obvious to perform (claims 30-31);
22. Providing risk-hedging capability to prospective traders (claim 35);
23. Including means to interface with a point of sale terminal (claims 39-40);
24. Method of conducting business claims (claims 41-46);
25. Adding coupon features (claims 41-46);
26. Expiration date of a coupon is the last possible time to redeem said coupon for the value offered (claim 47);
27. For coupons to be redeemed through a web based interface (claims 48, 50, and 52);
28. The purpose of coupons from a buyer's standpoint is to offer greater flexibility for receiving the product or service offered (claim 49);
29. Accepting coupons for settlement on demand in pre-designed maturity period (claim 51);
30. Further method of conducting business claims would have been obvious from method claims 10-19, 26 and 39 respectively (claims 53-64);
31. Adding coupon feature to the disclosure of Shepherd (claims 53-64);
32. Further computer network claims (claim 65);
33. Including means to interface with a point of sale terminal (claim 66);

34. The step comprising at least one point of sale terminal communicatingly connected to means for interfacing with a point of sale terminal (claim 67);
35. The step comprising means for allowing a computer network user to view information about coupons for sale on a trading system (claim 68);
36. Means for allowing only predetermined computer network users to view information about coupons for sale (claim 69);
37. Adding restricted clientele contract features to the disclosure of Shepherd (claims 70-75);
38. Method of conducting business claims are obvious from method claims 47-52 (claims 76-81);
39. Method of conducting business claims would have been obvious from claims 10-19 and 26 (claims 82-92);
40. Further computer network claim would have been obvious to perform (claim 93);
41. The step comprising means for allowing a computer network user to view information about restricted clientele contract bundles and restricted clientele contracts for sale (claim 94);
42. Since the evolution of the Internet many business practices are accomplished through a web based interface (claim 95);
43. Many trading systems involving financial instruments allow users to remain anonymous through the duration of the process (claim 96); and
44. Further system claim would have been obvious (claim 99).

While some of these statements admittedly apply to financial transactions in the prior art, Applicants do not concede that, *in the context of adding them to a computerized trading system*, they are all capable of instant and unquestionable demonstration as to defy dispute. Documentary evidence is required. The Examiner respectfully has failed to satisfy this burden and the rejections of claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, and 99 under 35 U.S.C. §103 should be withdrawn.

The Applicants, again, respectfully take note of the time and effort expended by the Examiner in preparing the Section 103 rejections present in the Office Action but further note the difficulty in responding to the Examiner's rejections to the broad, ambiguous rejections presented by the Examiner. Applicants respectfully note the expenditure of substantial resources in preparing the claims improperly rejected herein, and the expenditure of substantial resources in the form of examination fees paid to the USPTO in return for the benefit of the bargain that the claims would be properly examined. Additionally, Applicants have waited nearly five years to receive the Office Action herein. Applicants would, therefore, in future exchanges between the Patent Office, appreciate the Examiner's assistance in more specifically communicating the basis of his rejections "so that the issues can be identified early" and Applicants "be given fair opportunity to reply." In re Hoch, 428 F.2d at 1342, n.3; see also MPEP § 706.07 (concerning development of clear issues to advance prosecution) and MPEP § 707.7(d) (concerning omnibus rejections).

Further, even if the Examiner's personal opinions were capable of instant and unquestionable demonstration as to defy dispute, there is no evidence to demonstrate the Examiner's personal opinions could enable a relevant part of Applicants' claimed invention. Accordingly, the Examiner's personal opinions would not constitute prior art for purposes of the Examiner's obviousness rejections. If a prior art reference cited in an obviousness rejection does not enable a relevant part of the claimed invention, the reference does not disclose that part of the claimed invention for prior art purposes. In re Donohue, 766 F.2d 531, 533 (Fed. Cir. 1985). The prior art must disclose the claimed invention so that one of ordinary skill in the art could combine the prior art's disclosure with his own knowledge to make the claimed invention. Id. at 533.

Applicants further disagree that one of ordinary skill in the art at the time the invention was made would have been motivated to modify Shepherd in view of the "facts" recited as the Examiner's personal opinions. The burden is on the Examiner to provide some proposed substitution or other modification, and then provide a motivation that would explain why one of ordinary skill in the art at the time the invention was made would have made that particular proposed substitution or modification. Respectfully, the Examiner has failed to satisfy this burden.

There is therefore no basis to support a rejection of Applicants' claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, and 99 under 35 U.S.C. §103. The Examiner is therefore respectfully requested to withdraw the rejection of Applicant's claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, and 99 under 35 U.S.C. §103. Alternatively, pursuant to MPEP § 2144.03, "[i]f the examiner is relying on personal knowledge to support the finding of what is known in the art, the examiner must provide an affidavit or declaration setting forth specific factual statements and explanation to support the finding. See 37 CFR 1.104(d)(2)." Applicants, respectfully, formally request an affidavit or declaration setting forth specific factual statements and explanations to support the findings should the Examiner reject claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, and 99 under 35 U.S.C. §103 in any future action.

**III. Shepherd Does Not Teach or Suggest a System or Method for Formulation, Initial Public or Private Offering, and Secondary Market Trading of Risk Management Contract Bundles, With Each Contract Bundle Comprising at Least Two Contracts.**

The Examiner has failed to establish the prima facie obviousness of claims 1-27 (claims 2-27 depend from claim 1) pursuant to MPEP § 2143.03, because all of the limitations of claim 1 are not taught or suggested by Shepherd. In particular, Shepherd does not teach or suggest a system or method for formulation, initial public or private offering, and secondary market trading of risk management contract bundles, with each contract bundle comprising at least two contracts. Consequently, the Examiner's rejection of claims 1-27 should be withdrawn and the claims allowed.

Applicants' independent claim 1 recites:

1. A method of conducting business comprising the steps of:
  - establishing a computer-network based contract trading system electronically accessible by prospective traders;
  - selling, over said trading system, contract bundles, each contract bundle comprising at least two contracts;
  - subsequent to a sale of said contract bundles, accepting for resale over said trading system, any of said contracts;
  - reselling, over said trading system, accepted contracts;

settling said contracts; and  
assessing, for at least one of said contract bundle sale and said contract resale, a transaction fee therefor.

In rejecting Applicants' independent claim 1 under 35 U.S.C. § 103, the Examiner asserts the following elements of Applicants' independent claim 1 are taught by the following corresponding elements of Shepherd:

1. Applicants' selling, over said trading system, futures contract bundles, each contract bundle comprising at least two futures contracts is met by Column 3, line 29-Column 4, line 29 of Shepherd;
2. Applicants' subsequent to a sale of said futures contract bundles, accepting for resale over said trading system any of said futures contract bundles met by Column 5, lines 25-40 of Shepherd;
3. Applicants' reselling, over said trading system, accepted contracts is met by Column 5, lines 25-40 of Shepherd; and
4. Applicants' settling said contracts is met by Column 3, lines 29-38 of Shepherd.

The Examiner concedes that Shepherd does not show assessing, for at least one of said futures contract bundle sale and said futures contract resale, a transaction fee therefore. Office Action, p. 5. The Examiner asserts, however, that "it was well known in the art at the time of invention and therefore would have been obvious to include transactions fees in financial matching systems so that the persons sponsoring the matching system can experience a revenue stream for their services. Furthermore, experts on behalf of clients and in exchange for a small fee, have long brokered futures contracts and the continuation of this process in an automated environment would also have been obvious." Office Action, p. 5.

Pursuant to MPEP §2143.03, "[t]o establish prima facie obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art. All words in a claim must be considered in judging the patentability of that claim against the prior art. If an independent claim is nonobvious under 35 U.S.C. 103(a), then any claim depending therefrom is nonobvious." (Internal citations omitted) (emphasis added). In

the present case, the Examiner cannot establish a prima facie case of obviousness because all the claim limitations are not taught or suggested by the prior art, namely Shepherd.

**Shepherd Does Not Teach or Suggest Applicants' Step of Selling, Over Said Trading System, Contract Bundles, Each Contract Bundle Comprising At Least Two Contracts.**

Applicants' independent claim 1 recites a step of conducting business comprising the step of selling, over said trading system, contract bundles, each contract bundle comprising at least two contracts, and accepting any of those contracts for resale. It is important to note that there is no limitation that contracts accepted for resale must be in the same bundle as when first sold.

The Examiner asserts that Shepherd Column 3, line 29-Column 4, line 29 teaches Applicants' step of conducting business comprising the step of selling, over said trading system, contract bundles, each contract bundle comprising at least two contracts. Respectfully, the Examiner is mistaken.

Shepherd Column 3, line 29 - Column 4, line 29 states (emphasis added):

The invention encompasses methods and apparatus enabling the management of risk relating to specified, yet unknown, future events by enabling entities (parties) to reduce their exposure to specified risks by constructing compensatory claim contract orders on yet-to-be-identified counter-parties, being contingent on the occurrence of the specified future events. The entities submit such orders to a `system` which seeks to price and match the most appropriate counter-party, whereupon matched contracts are appropriately processed through to their maturity.

\*\*\*

The ability to price and match risk aversion contracts essentially comes about because of the nature of risk itself. Any number of people will each have differing views as to the likelihood of an outcome of some future event. This means that when each person is required to independently assess a range of outcomes for a specified future date, there almost always will be a variance in those assessments. **Thus it is possible to match these expectations as between parties to form a contract.** The potential counter-parties to an offered contract have the motivation of taking up an opportunity to exploit differing views of future outcomes to their advantage, either for some gain or, again, as a form of risk management.

Further, one need only read the abstract of Shepherd to appreciate that Shepherd does not teach or suggest Applicants' step of selling, over said trading

system, contract bundles, each contract bundle comprising at least two contracts.

The abstract expressly states that (emphasis added): “Each offered contract is priced by calculating counter-party premiums from the registered data, and a match attempted by a comparison of the offered premium with the calculated premiums. Matched contracts can be further traded until maturity, and at-maturity processing handles the exchange of entitlement as between the matched parties to the contract.”

Shepherd only teaches matching individual contracts, one at a time. There is no suggestion anywhere in Shepherd that the system can deal with a bundle of multiple contracts. Further, there is no suggestion that the bundle can later be split into the individual contracts which it contains, and that those contracts can be resold independent of the other contracts which were originally contained in the bundle. **Accordingly, Shepherd does not teach or suggest Applicants’ steps of selling contract bundles comprising at least two contracts. Nor does Shepherd does teach or suggest accepting *any* of those contracts for resale.**

Further, pursuant to MPEP § 2143.03, “[t]o establish prima facie obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art. All words in a claim must be considered in judging the patentability of that claim against the prior art.” (Internal citations omitted) (emphasis added). Consequently, the Examiner has failed to establish the prima facie obviousness of claims 2-27 (that depend from claim 1), because all of the limitations of claim 1 are not taught or suggested by Shepherd.

### **CONCLUSION**

Applicants’ counsel request and look forward to a telephonic Examiner Interview to address the following issues in order to put the application in condition for allowance:

I. No element of Applicants’ independent claim 36 is found, either expressly or inherently, in Shepherd. As dependent claims, by definition, Applicants’ claims 37 and 38 incorporate each and every element of Applicants’ independent claim 36. Because no element in Applicants’ independent claim 36 is found, either expressly or

inherently, in Shepherd, Applicants' dependent claims 37 and 38 also distinguish patentability over the Shepherd reference and warrant allowance.

II. Claims 2, 4-5, 11-13, 15, 17-23, 27, 29-31, 35, 39-96, and 99 are improperly rejected under 35 U.S.C. § 103 as being unpatentable over Shepherd in view of the purported and unsubstantiated knowledge of one of ordinary skill in the art. Side-stepping the requirements of MPEP §2143.03 for all claim limitations to be taught or suggested by the prior art, the Examiner relies on personal opinion to constitute the prior art. Respectfully, such reliance on personal opinion by the Examiner is improper and the rejections should be withdrawn.

III. The Examiner has failed to establish the prima facie obviousness of claims 1-27 (claims 2-27 depend from claim 1). All of the limitations of claim 1 are not taught or suggested by Shepherd. In particular, Shepherd does not teach or suggest a system or method for formulation, initial public or private offering, and secondary market trading of risk management contract bundles, with each contract bundle comprising at least two contracts. Consequently, the Examiner's rejection of claims 1-27 should be withdrawn and the claims allowed.

Based on the foregoing remarks, Applicants believe that the rejections in the Office Action of January 13, 2006 are fully overcome, and that the application is in condition for allowance. If the Examiner has questions regarding the case, the Examiner is invited to contact Applicants' undersigned representative at the number given below.

Respectfully submitted,  
John Nafeh and Kenton K. Yee

Date: 7-11-2006

By: K. Brian Bathurst

K. Brian Bathurst, Reg. No. 51,422  
Carr & Ferrell LLP  
2200 Geng Road  
Palo Alto, CA 94303  
Phone: (650) 812-3400  
Fax: (650) 812-3444